Regulatory Analysis

Notice of Intended Action to be published: 261—Chapter 48
"Workforce Housing Tax Incentive Program"

Iowa Code section(s) or chapter(s) authorizing rulemaking: chapter 15, subchapter II, part 17

State or federal law(s) implemented by the rulemaking: Iowa Code chapter 15, subchapter II, part 17

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

October 21, 2025	1963 Bell Avenue
10 to 10:15 a.m.	Des Moines, Iowa

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis, which must be received by the Economic Development Authority (Authority) no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Lisa Connell
Iowa Economic Development Authority
1963 Bell Avenue, Suite 200
Des Moines, Iowa 50315
Email: lisa.connell@iowaeda.com

Purpose and Summary

Pursuant to Executive Order 10, the Authority proposes to rescind Chapter 48 and adopt a new chapter in lieu thereof. The chapter describes the policies and procedures applicable to the Workforce Housing Tax Incentive Program available pursuant to Iowa Code chapter 15, subchapter II, part 17 as amended by 2025 Iowa Acts, Senate File 657. The program supports the development of housing projects that are targeted at middle-income households.

The new chapter will be clearer and more concise throughout and will omit language that duplicates statute. Additionally, the new chapter omits inconsistencies due to changes to the program and its available allocation of tax credits in 2025 Iowa Acts, Senate File 657.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Entities applying for or participating in the program will bear the costs of the rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Entities applying for or participating in the program will benefit from the rulemaking.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

Entities interested in applying for tax incentives may require staff time to complete an application. Entities that receive tax incentives may similarly incur costs to comply with reporting and monitoring requirements of the program. Some applicants and recipients may choose to rely on an external

service provider to complete these tasks. The amount of the costs will vary depending on the compensation of staff or service providers involved.

- **Qualitative description of impact:**

The program supports the development of housing projects that are targeted at middle-income households.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

Authority staff time is required to review and approve applications, issue tax credit certificates and refund notices, review reports, and communicate with program applicants and recipients.

- **Anticipated effect on State revenues:**

The rules have no anticipated impact on State revenues. Up to $35 million total in tax incentives may be awarded and issued by the Authority for this program in fiscal year 2026 pursuant to Iowa Code section 15.354(4) as amended by 2025 Iowa Acts, Senate File 657.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

Only the entities that will potentially benefit from the program bear the costs of the rulemaking. The costs to the State to administer the program are proportional to the activities supported.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The Authority has not identified any less costly methods or less intrusive methods for administering the program.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Authority did not consider any other methods.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Authority did not consider any other methods.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

The rulemaking impacts only small businesses seeking tax incentives. The rules regarding compliance and reporting requirements are no more stringent than necessary to implement the purposes of the program. The rules do not establish schedules or deadlines. The rules do not establish design or operational standards.

Text of Proposed Rulemaking

ITEM 1. Rescind 261—Chapter 48 and adopt the following **new** chapter in lieu thereof:

CHAPTER 48
WORKFORCE HOUSING TAX INCENTIVES PROGRAM

261—48.1(15) Definitions. As used in this chapter unless the context otherwise requires:

"Authority" means the economic development authority created in Iowa Code section 15.105.

"Authority's website" means the information and related content found at www.opportunityiowa.gov.

"Average dwelling unit cost" means the costs directly related to the housing project divided by the total number of dwelling units in the housing project.

"Board" means the members of the economic development authority appointed by the governor and in whom the powers of the authority are vested pursuant to Iowa Code section 15.105.

"Costs directly related" means expenditures that are incurred for construction of a housing project to the extent that they are attributable directly to the improvement of the property or its structures. "Costs directly related" includes expenditures for site preparation work, surveying, construction materials, construction labor, architectural services, and engineering services. "Costs directly related" does not include expenditures for property acquisition, building permits, building inspection fees, furnishings, appliances, accounting services, legal services, loan origination and other financing costs including interest on construction loans, syndication fees and related costs, developer fees, or the costs associated with selling or renting the dwelling units whether incurred before or after completion of the housing project.

"Disaster recovery housing project" means the same as defined in Iowa Code section 15.354(6).

"Grayfield site" means the same as defined in Iowa Code section 15.352.

"Greenfield site" means the same as defined in Iowa Code section 15.352.

"Housing business" means the same as defined in Iowa Code section 15.352.

"Housing project" means the same as defined in Iowa Code section 15.352.

"New dwelling units" means dwelling units that are made available for occupancy in a community as a result of a housing project and that were not available for occupancy as residential housing in the community for a period of at least six months prior to the date on which application is made to the authority for tax incentives. If a dwelling unit has served as residential housing and been occupied during the six months preceding the date on which application is made to the authority for tax incentives, then the dwelling unit shall be presumed not to be a new dwelling unit.

"Program" means the workforce housing tax incentives program administered pursuant to Iowa Code chapter 15, subchapter II, part 17, and this chapter.

"Tax credit certificate" means a certificate issued by the authority stating the amount of workforce housing investment tax credits pursuant to Iowa Code section 15.355(3) that an eligible housing business may claim.

261—48.2(15) Housing project requirements.

48.2(1) *Eligible project types.* To receive workforce housing tax incentives pursuant to the program, a proposed housing project shall meet all of the requirements in Iowa Code section 15.353.

a. For the purposes of identifying eligible project types pursuant to Iowa Code section 15.353, "rehabilitation, repair, or redevelopment" means construction or development activities associated with a housing project that are undertaken for the purpose of reusing or repurposing existing buildings or structures as new dwelling units. "Rehabilitation, repair, or redevelopment" does not include new construction of dwelling units at a greenfield site. "Rehabilitation, repair, or redevelopment" includes new structures at a qualified grayfield site.

b. For the purposes of identifying eligible project types pursuant to Iowa Code section 15.353, factors the authority may consider to determine whether a dwelling unit should be classified as a single family dwelling unit include but are not limited to the following:

(1) Whether the unit is separated from other units by a ground-to-roof wall;
(2) Whether the unit has a separate heating system;
(3) Whether the unit has an individual meter for public utilities; and
(4) Whether the unit has other units above or below.

c. A housing project is not eligible for the program if it is located in a 100-year floodplain.

48.2(2) *Maximum cost.* The average dwelling unit cost for a housing project shall not exceed the maximum amount established by the board pursuant to Iowa Code section 15.353(3)*"a"* or, if applicable, the maximum amount established pursuant to Iowa Code section 15.353(3)*"b."*

48.2(3) *Violations of law.* A housing project may be ineligible for the program due to a record of violations of the law pursuant to Iowa Code section 15.354(1)*"b"*(2) as amended by 2025 Iowa Acts, Senate File 657.

261—48.3(15) Housing project application and agreement.

48.3(1) *Application.* Information about applying for tax incentives will be available on the authority's website. A housing business shall apply for tax incentives in the form and content specified by the authority. The application will include all the information described in described in Iowa Code section 15.354(1).

48.3(2) *Application review and approval.*

a. All completed applications shall be reviewed and scored pursuant to Iowa Code section 15.354(2) as amended by 2025 Iowa Acts, Senate File 657. Review criteria include but are not limited to project need, project readiness, financial capacity, and project impact.

b. The director will approve tax incentive awards after considering the recommendations of staff. The director may approve, defer or deny an application.

48.3(3) *Agreement and fees.*

a. A housing business that has been approved for tax incentives shall execute and return the agreement required by Iowa Code section 15.354(3) within 90 days of transmittal. Failure to do so may be cause for the director to terminate the award.

b. The compliance cost fees imposed in Iowa Code section 15.354(3)*"b"* as amended by 2025 Iowa Acts, Senate File 657, shall apply to all agreements entered into for this program.

c. The agreement entered pursuant to Iowa Code section 15.354(3) may only be amended if done so in writing and signed by the housing business and the authority. Examples of situations requiring an amendment include but are not limited to time extensions, budget revisions, and significant alterations of the housing project.

d. Upon completion of a housing project, a housing business shall submit all of the information and documentation required by Iowa Code section 15.354(3)*"d"* to the authority along with a statement of all funding sources utilized for the project including government financing. The attestation applicable to the examination required by Iowa Code section 15.354(3)*"d"* is SSAE No. 10 (as amended by SSAE Nos. 11, 12, 14), AT section 101, and AT section 601 or other comparable attestations as identified by the authority. The procedures used by the certified public accountant (CPA) to conduct the examination should allow the CPA to conclude that, in the CPA's professional judgment, the expenditures claimed are eligible pursuant to the agreement; Iowa Code chapter 15, subchapter II, part 17; and all rules adopted pursuant to Iowa Code chapter 15, subchapter II, part 17, in all material respects. Within ten business days of a request by the authority, the housing business shall make available to the authority the documents reviewed by the CPA unless good cause is shown.

261—48.4(15) Workforce housing tax incentives.

48.4(1) *Eligibility.* A housing business that has entered into an agreement pursuant to rule 261—48.3(15) is eligible to receive the sales tax refund and income tax credit described in Iowa Code section 15.355. Tax incentives may be claimed pursuant to Iowa Code section 15.355 and any applicable rules adopted by the department of revenue.

48.4(2) *Transfer.* Tax credit certificates may be transferred to any person pursuant to Iowa Code section 15.355 and the applicable rules adopted by the department of revenue. However, tax credit certificate amounts of less than $1,000 shall not be transferable.

48.4(3) *Tax credit limitations.* The tax credit limitations specified in Iowa Code section 15.354(4) as amended by 2025 Iowa Acts, Senate File 657, shall apply.

DISASTER RECOVERY HOUSING PROGRAM

261—48.5(15) Disaster recovery housing project requirements. To receive disaster recovery housing tax incentives pursuant to the program, a proposed disaster recovery housing project shall meet all requirements for other housing projects in rule 261—48.2(15).

261—48.6(15) Disaster recovery housing project application and agreement.

48.6(1) *Application.* Information about applying for disaster recovery tax incentives will be available on the authority's website. A housing business shall apply for tax incentives in the form and with the content specified by the authority. The application will include all the information described in Iowa Code section 15.354(1). If tax credits for disaster recovery housing projects are available, the authority may establish for a county in a disaster recovery application period following the declaration of a major disaster by the President of the United States for a county in Iowa.

48.6(2) *Application review and approval.*

a. All completed applications shall be reviewed and scored pursuant to Iowa Code section 15.354(2) as amended by 2025 Iowa Acts, Senate File 657. Review criteria include but are not limited to project need, project readiness, financial capacity, and project impact.

b. The director will approve tax incentive awards after considering the recommendations of staff. The director may approve, defer, or deny an application.

48.6(3) *Agreement and fees.*

a. A housing business that has been approved for disaster recovery tax incentives shall execute and return the agreement required by Iowa Code section 15.354(3) within 90 days of transmittal. Failure to do so may be cause for the director to terminate the award.

b. The compliance cost fees imposed in Iowa Code section 15.354(3)*"b"* as amended by 2025 Iowa Acts, Senate File 657, shall apply to all agreements entered into for this program.

c. The agreement entered pursuant to Iowa Code section 15.354(3) may only be amended if done so in writing and signed by the housing business and the authority. Examples of situations requiring an amendment include but are not limited to time extensions, budget revisions, and significant alterations of the housing project.

d. Upon completion of a disaster recovery housing project, a housing business shall submit all information and documentation required by Iowa Code section 15.354(3)*"d"* to the authority along with a statement of all funding sources utilized for the project including government financing. The attestation applicable to the examination required by Iowa Code section 15.354(3)*"d"* is as described in paragraph 48.3(3)*"c."*

261—48.7(15) Disaster recovery housing tax incentives.

48.7(1) *Eligibility.* A housing business that has entered into an agreement pursuant to rule 261—48.6(15) is eligible to receive the sales tax refund and income tax credit described in Iowa Code section 15.355. Tax incentives may be claimed pursuant to Iowa Code section 15.355 and any applicable rules adopted by the department of revenue.

48.7(2) *Transfer.* Tax credit certificates may be transferred to any person pursuant to Iowa Code section 15.355 and the applicable rules adopted by the department of revenue. However, tax credit certificate amounts of less than $1,000 shall not be transferable.

48.7(3) *Tax credit limitations.* The tax credit limitations specified in Iowa Code section 15.354(4) as amended by 2025 Iowa Acts, Senate File 657, or that may otherwise be specified for disaster recovery housing projects shall apply.

261—48.8(15) Projects located in small cities. A housing project located in a city or township that meets the criteria in Iowa Code section 15.352(10)*"b"* must be located at least five miles from the city limits of a city with a population greater than 2,500 to be considered located in a small city. Population for the purposes of this rule will be as determined by either the most recent population estimate produced by the United States Bureau of Census or the most recent decennial census released by the United States Bureau of Census.

These rules are intended to implement Iowa Code chapter 15, subchapter II, part 17.